

**EAST UNION HOSPITAL SERVICE DISTRICT**  
*Farmerville, Louisiana*

***REPORT OF EXAMINATION***

***For the Years Ended  
March 31, 2005 and 2004***

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 10/5/05

**PARRISH • MOODY & FIKES, p.c.**  
*Certified Public Accountants*  
*Waco, Texas*



# **EAST UNION HOSPITAL SERVICE DISTRICT**

## **FINANCIAL STATEMENTS**

**YEARS ENDED MARCH 31, 2005 AND 2004**

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**EAST UNION HOSPITAL SERVICE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEARS ENDED MARCH 31, 2005 AND 2004**

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Our discussion and analysis of East Union Hospital Service District's (the "*District*") financial performance provides an overview of the District's financial activities for the fiscal years ending March 31, 2005 and 2004. Please read it in conjunction with the District's financial statements, which begin on page 6.

**Financial Highlights**

- Net assets in 2005 increased by \$162,098 or 9.7% from 2004, and in 2004 increased by \$62,158 or 3.9% from 2003.

**Using This Annual Report**

The District's financial statements consist of three statements – a Balance Sheet; a Statement of Revenues, Expenses, and Changes in Net Assets; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the District, including resources held by the District but restricted for specific purposes by contributors, grantors, or enabling legislation.

**The Balance Sheet and Statement of Revenues, Expenses, and Changes in Net Assets —**

Our analysis of the District finances begins on page 6. One of the most important questions asked about the District's finances is, "What is the District's financial position and how does it compare to prior years?" The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. One can think of the District's net assets—the difference between assets and liabilities—as one way to measure the District's *financial health, or financial position*. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. One will need to consider other nonfinancial factors, however, such as changes in the District's tax base, as well as local economic factors to assess the overall health of the District.

**The Statement of Cash Flows —**

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

**EAST UNION HOSPITAL SERVICE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEARS ENDED MARCH 31, 2005 AND 2004**

**The District's Net Assets**

The District's net assets are the difference between its assets and liabilities reported in the Balance Sheet on page 6. The District's net assets increased by \$162,098 or 9.7% in 2005 and increased by \$62,158 or 3.9% in 2004, as you can see from Table 1.

Table 1: Assets, Liabilities, and Net Assets

	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Assets:</b>			
Current assets	\$ 460,811	\$ 350,784	\$ 224,750
Capital assets, net	1,619,963	1,321,773	1,384,048
Other noncurrent assets	<u>210</u>	<u>210</u>	<u>210</u>
Total assets	<u>\$ 2,080,984</u>	<u>\$ 1,672,767</u>	<u>\$ 1,609,008</u>
<b>Liabilities:</b>			
Current liabilities, less current debt	\$ 306	\$ 1,945	\$ 344
Long-term debt outstanding	<u>247,758</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>248,064</u>	<u>1,945</u>	<u>344</u>
<b>Net assets:</b>			
Invested in capital assets net of related debt	1,372,205	1,321,773	1,384,048
Unrestricted	<u>460,715</u>	<u>349,049</u>	<u>224,616</u>
Total net assets	<u>1,832,920</u>	<u>1,670,822</u>	<u>1,608,664</u>
 Total liabilities and net assets	 <u>\$ 2,080,984</u>	 <u>\$ 1,672,767</u>	 <u>\$ 1,609,008</u>

**EAST UNION HOSPITAL SERVICE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEARS ENDED MARCH 31, 2005 AND 2004**

**Operating Results and Changes in the District's Net Assets**

The District reported operating losses in 2005 of \$(219,135) and in 2004 of \$(291,869), as shown in Table 2.

Table 2: Operating Results and Changes in Net Assets

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Operating Revenues:			
Other operating revenues	\$ 21,444	\$ 21,444	\$ 21,444
Total operating revenues	<u>21,444</u>	<u>21,444</u>	<u>21,444</u>
Operating Expenses:			
Operating expenses	53,582	160,561	82,991
Depreciation and amortization	<u>186,997</u>	<u>152,752</u>	<u>110,063</u>
Total operating expenses	<u>240,579</u>	<u>313,313</u>	<u>193,054</u>
Operating income (loss)	<u>(219,135)</u>	<u>(291,869)</u>	<u>(171,610)</u>
Nonoperating Revenues and Expenses			
Property tax revenue	376,816	350,870	333,316
Investment income	4,815	3,157	3,732
Interest expense	<u>(398)</u>	<u>-</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>381,233</u>	<u>354,027</u>	<u>337,048</u>
Increase (decrease) in net assets	162,098	62,158	165,438
Net assets, beginning of year	<u>1,670,822</u>	<u>1,608,664</u>	<u>1,443,226</u>
Net assets, end of year	<u>\$1,832,920</u>	<u>\$1,670,822</u>	<u>\$ 1,608,664</u>

**EAST UNION HOSPITAL SERVICE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEARS ENDED MARCH 31, 2005 AND 2004**

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**Operating Results and Changes in the District's Net Assets** *(Continued)*

**Operating Income (Loss) —**

The first component of the overall change in the District's net assets is its operating income (loss) - generally, the difference between rental income and the expenses incurred to maintain the facility. In each of the past two years, the District has reported an operating loss. Losses in 2005 decreased by \$72,734 or 25% below the loss reported in 2004. Operating losses in 2004 increased by \$120,259 or 70%.

The primary reasons for the changes in the operating losses are:

- In 2005, donations to the Hospital for operating expenses decreased approximately \$97,000.
- In 2004, the maintenance costs increased by approximately \$35,000 and the donations to the Hospital, as discussed in Note 1, increased by approximately \$40,000.

**Nonoperating Revenues and Expenses —**

Nonoperating revenues consist primarily of property taxes levied by the District, grants and contributions, and investment earnings. In 2005, the property tax revenue increased approximately \$26,000.

**The District's Cash Flows**

Changes in the District's cash flows are consistent with changes in operating losses and nonoperating revenues and expenses, discussed earlier.

**Capital Asset and Debt Administration**

**Capital Assets** - At the end of 2005 and 2004, the District had \$1.6 million and \$1.3 million, respectively, invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements.

**Contacting the District's Financial Management**

This financial report is designed to provide our suppliers, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Juanita Sanford, at East Union District Service District, 901 James St., P. O. Box 398, Farmerville, Louisiana.

**PARRISH • MOODY & FIKES, p.c.**  
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**INDEPENDENT AUDITOR'S REPORT**

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To the Board of Commissioners  
East Union Hospital Service District  
Farmerville, Louisiana

We have audited the accompanying balance sheets of East Union Hospital Service District (the "*District*") as of March 31, 2005 and 2004, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Union Hospital Service District as of March 31, 2005 and 2004, and the changes in financial position and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated June 6, 2005, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Parrish, Moody & Fikes, p.c.*

Waco, Texas  
June 6, 2005

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**EAST UNION HOSPITAL SERVICE DISTRICT**

**BALANCE SHEETS**

**MARCH 31, 2005 AND 2004**

<b>Assets</b>	<b>2005</b>	<b>2004</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 219,431	\$ 342,233
Short-term investments	234,546	-
Taxes and rents receivable	<u>6,834</u>	<u>8,551</u>
 Total current assets	 <u>460,811</u>	 <u>350,784</u>
<b>Capital assets</b>		
Land	65,554	65,554
Land improvements	32,023	32,023
Buildings	2,909,158	2,909,158
Equipment	1,349,588	1,176,761
Construction in progress	<u>312,360</u>	<u>-</u>
	4,668,683	4,183,496
Accumulated depreciation	<u>(3,048,720)</u>	<u>(2,861,723)</u>
Total capital assets, net	<u>1,619,963</u>	<u>1,321,773</u>
 Other assets - Meter deposits	 <u>210</u>	 <u>210</u>
	 <u>\$ 2,080,984</u>	 <u>\$ 1,672,767</u>

Liabilities and Net Assets	2005	2004
<b>Current liabilities</b>		
Current portion of long-term debt	\$ 60,150	\$ -
Accounts payable	<u>306</u>	<u>1,945</u>
Total current liabilities	<u>60,456</u>	<u>1,945</u>
<b>Long-term debt, net of current portion</b>	<u>187,608</u>	<u>-</u>
Total liabilities	<u>248,064</u>	<u>1,945</u>
<b>Commitments and contingencies</b>		
<b>Net Assets</b>		
Invested in capital assets net of related debt	1,372,205	1,321,773
Unrestricted	<u>460,715</u>	<u>349,049</u>
Total net assets	<u>1,832,920</u>	<u>1,670,822</u>
	<u>\$ 2,080,984</u>	<u>\$ 1,672,767</u>

The accompanying notes are an integral part of these financial statements.

**EAST UNION HOSPITAL SERVICE DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED**  
**MARCH 31, 2005 AND 2004**

	2005	2004
<b>Unrestricted revenues, gains and other support</b>		
Rental revenue	\$ 21,444	\$ 21,444
Total revenues, gains and other support	<u>21,444</u>	<u>21,444</u>
<b>Expenses</b>		
Operating expenses	48,532	58,417
Donations to Union General Hospital, Inc.	5,050	102,144
Depreciation and amortization	186,997	152,752
Total expenses	<u>240,579</u>	<u>313,313</u>
<b>Operating income (loss)</b>	<u>(219,135)</u>	<u>(291,869)</u>
<b>Non-operating revenues (expenses)</b>		
Property tax revenue	376,816	350,870
Investment income	4,815	3,157
Interest expense	(398)	-
Total nonoperating revenues (expenses)	<u>381,233</u>	<u>354,027</u>
<b>Increase (decrease) in net assets</b>	162,098	62,158
<b>Net assets, beginning of year</b>	<u>1,670,822</u>	<u>1,608,664</u>
<b>Net assets, end of year</b>	<u>\$ 1,832,920</u>	<u>\$ 1,670,822</u>

The accompanying notes are an integral part of these financial statements.

# EAST UNION HOSPITAL SERVICE DISTRICT

## STATEMENTS OF CASH FLOWS

**FOR THE YEARS ENDED  
MARCH 31, 2005 AND 2004**

	2005	2004
<b>Cash flows from operating activities</b>		
Rental receipts received	\$ 20,394	\$ 21,444
Cash paid to hospital for operating expenses	(32,105)	(100,543)
Cash paid for accounting, publications, utilities, and fees	<u>(23,116)</u>	<u>(58,417)</u>
Net cash provided by (used in) operating activities	<u>(34,827)</u>	<u>(137,516)</u>
<b>Cash flows from investing activities</b>		
Interest received	4,815	3,157
Purchase of investments	<u>(234,546)</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>(229,731)</u>	<u>3,157</u>
<b>Cash flows from capital and related financing activities</b>		
Principle payments on long-term debt and notes payable	(64,602)	-
Interest payments on long-term debt and notes payable	(398)	-
Purchase of capital assets	<u>(172,827)</u>	<u>(90,477)</u>
Net cash provided by (used in) capital and related financing	<u>(237,827)</u>	<u>(90,477)</u>
<b>Cash flows from non-capital financing activities</b>		
Tax proceeds	<u>379,583</u>	<u>357,121</u>
Net cash provided by (used in) non-capital financing activities	<u>379,583</u>	<u>357,121</u>
Net increase (decrease) in cash and cash equivalents	(122,802)	132,285
<b>Cash balance, beginning of year</b>	<u>342,233</u>	<u>209,948</u>
<b>Cash balance, end of year</b>	<u><u>\$ 219,431</u></u>	<u><u>\$ 342,233</u></u>

The accompanying notes are an integral part of these financial statements.

**EAST UNION HOSPITAL SERVICE DISTRICT**

**STATEMENTS OF CASH FLOWS**

**(Continued)**

**FOR THE YEARS ENDED**

**MARCH 31, 2005 AND 2004**

	2005	2004
<b>Reconciliation of cash and equivalents to the balance sheets</b>		
Cash and equivalents presented under the following titles:		
Cash and cash equivalents	<u>\$ 219,431</u>	<u>\$ 342,233</u>
<b>Reconciliation of net income to net cash flows from operating activities</b>		
Operating income (loss)	\$ (219,135)	\$ (291,869)
Adjustments to reconcile operating income to net cash flows used in operating activities:		
Depreciation and amortization	186,997	152,752
Changes in assets and liabilities:		
Increase in rents receivable	(1,050)	-
Increase (decrease) in accounts payable and accrued expenses	<u>(1,639)</u>	<u>1,601</u>
Net cash provided by (used in) operating activities	<u>\$ (34,827)</u>	<u>\$ (137,516)</u>

The accompanying notes are an integral part of these financial statements.

# **EAST UNION HOSPITAL SERVICE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
MARCH 31, 2005 AND 2004**

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### **1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Organization**

East Union Hospital Service District (the "*District*") was created by an ordinance of the Union Parish Police Jury on June 8, 1971. The District is a political subdivision of the Union Parish Police Jury whose jurors are elected officials. The District's commissioners are appointed by the Union Parish Police Jury.

#### **Operations**

On November 22, 1983, the District leased the facility known as Union General Hospital in Farmerville, Louisiana, as well as all related moveable property, to a newly formed nonprofit corporation named "Union General Hospital, Inc." Union General Hospital, Inc. (the "*Hospital*") is a Louisiana nonprofit corporation, which has received exemption from income taxes as an organization described under section 501(c)(3) of the Internal Revenue Code.

The lease began December 1, 1983, with a "primary term" of three (3) years. Thereafter, unless the District or Hospital gives the other notice to terminate at least twelve months prior to the end of the base or any renewal term, the lease is renewed for five (5) year "renewal terms," under the same terms and conditions controlling the "primary term." The Hospital has agreed to maintain at its expense certain insurance, capital additions, and make necessary and proper repairs in exchange for rent paid to the District.

Since December 1, 1983, when the District discontinued operating the Hospital, its operations consist of administration of the leased facilities, rental of adjoining physicians' offices, collection and administration of tax receipts, and payment of debt service on the public improvement bonds. These bonds were paid in previous years.

#### **Accounting Standards**

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the District has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB).

# EAST UNION HOSPITAL SERVICE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED  
MARCH 31, 2005 AND 2004

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### 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Accounting Standards (Continued)

On April 1, 2003, the District adopted the provisions of Statement No. 34 (Statement 34) of the Governmental Accounting Standards Board (GASB), *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*, as amended by GASB Statement 37, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments: Omnibus*. Statement 34 established standards for external financial reporting for all state and local governmental entities, which include a balance sheet; a statement of revenue, expenses and changes in net assets; and a direct method statement of cash flows. Statement 34 requires the classification of net assets into three components — invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

1. **Invested in Capital Assets, Net of Related Debt** — This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. **Restricted** — This component of net assets consists of net assets whose use is restricted through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or by laws through constitutional provisions or enabling legislation.
3. **Unrestricted** — This component of net assets consists of those assets that do not meet the definition of "restricted" or "invested in capital, net of related debt."

The adoption of Statement 34 required the following changes on the basic financial statements:

- Reclassification of net assets in accordance with the statement;
- Reclassification of ad valorem tax support and contributions to nonoperating revenue, as opposed to operating revenue;
- Change from the indirect method of preparing the cash flow statement to the direct method.
- Preparation by management of the newly required "*Management's Discussion and Analysis*" which is included with the audited financial statements as required by supplemental information.

The District also implemented the provisions of GASB Statement 38, *Certain Financial Statement Note Disclosures*, in the accompanying financial statements. The implementation of this statement refined and extended the required disclosures in the financial statements.

# **EAST UNION HOSPITAL SERVICE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
MARCH 31, 2005 AND 2004**

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### **1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The financial statements have been prepared on the accrual basis and in accordance with guidelines recommended by the Committee on Health Care Institute and Subcommittee on Health Care Matters of the American Institute of Certified Public Accountants. The accrual basis of accounting recognizes revenues when earned rather than when received. Expenses are recognized when incurred rather than when paid.

#### **Presentation**

Certain prior year amounts may have been reclassified in order to be presented comparatively with the current year classifications.

#### **Cash and Cash Equivalents**

Cash and cash equivalents consist primarily of deposits in checking accounts and certificates of deposit. For the purpose of the statement of cash flows, all cash that is not limited to use with original maturities less than 90 days, is treated as cash and cash equivalents.

#### **Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Operating Revenues and Expenses**

The statement of revenues, expenses and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with rental and maintenance of the Hospital facility, the District's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to maintain the facility in accordance with agreements, other than financing costs.

#### **Costs of Borrowing**

Interest cost incurred on borrowed funds during the period of construction of capital assets (if any) is capitalized as a component of the cost of acquiring those assets.



# **EAST UNION HOSPITAL SERVICE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
MARCH 31, 2005 AND 2004**

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### **1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Capital Assets**

Capital assets consist of property and equipment and are recorded at the District's cost. Since the inception of the lease, additional items of property and equipment purchased by the District are reflected in the District's financial statements. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Estimated useful lives used in computing depreciation follow the lives recommended by the American Hospital Association, which is recognized by the Medicare and Medicaid intermediaries.

#### **Property Tax Revenues**

The District levies real estate taxes on all real property on a calendar year basis at a rate enacted by the Board of Commissioners as recommended by the local tax assessor. Property taxes are collected through the local sheriff and remitted, net of collection fees, to the District. The sheriff's office is responsible for collection, including establishing lien, levy, and due dates of the taxes.

### **2. OFF BALANCE SHEET RISKS AND CONCENTRATIONS OF CREDIT**

#### **Concentrations of Credit**

The District leases the hospital facilities in Farmerville, Louisiana. The Hospital grants credit on its services to its patients, substantially all of whom are local residents of the Parish. Generally, the Hospital accepts assignments of patients' benefits payable under either public or private insurance programs or policies in lieu of collateral to secure its patient accounts receivable. At March 31, 2005 and 2004, approximately 29% and 43%, respectively, of patient accounts receivable was related to beneficiaries of the Medicare and Medicaid programs. Future changes (if any) occurring within the local economy or the Medicare and Medicaid reimbursement methods can significantly affect the ability of the Hospital to operate the leased facilities.

# EAST UNION HOSPITAL SERVICE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED  
MARCH 31, 2005 AND 2004

### 2. OFF BALANCE SHEET RISKS AND CONCENTRATIONS OF CREDIT (Continued)

#### Bank Accounts

State law requires that bank accounts be collateralized by a pledge of sufficient market value of qualifying securities for amounts invested in excess of the insured amount. Insurance and collateralization at March 31, 2005 and 2004, follows:

	<u>2005</u>	<u>2004</u>
Insured (FDIC)	\$ 336,000	\$ 243,017
Collateralized by pledged securities	117,113	-
Uncollateralized	-	98,854
Total	<u>\$ 453,113</u>	<u>\$ 341,871</u>
Carrying Value	<u>\$ 453,977</u>	<u>\$ 342,233</u>

#### Volume of Services

The Hospital is dependent upon local physicians practicing in the immediate service area for its volume of patients. Any decrease in the number of physicians which currently serve the Hospital can significantly affect the Hospital's ability to operate the leased facilities.

### 3. PROPERTY TAXES

In November 1998, the voters of the District approved the authorization of a ten-year, \$5 million, property tax levy on all taxable property located within the District. The tax can be used for constructing, maintaining, improving, equipping, and operating the hospital facilities.

### 4. BOARD MEMBERS

Board members of the District and their compensation for 2005 and 2004 are as follows:

<u>Member</u>	<u>Compensation</u>
Jessie Andrews	None
Vicki Antley	None
Alice Bailey	None
Joel Taylor	None
Bruce Matte	None
Calvin Jones	None
Mary Washington	None

# EAST UNION HOSPITAL SERVICE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**FOR THE YEARS ENDED  
MARCH 31, 2005 AND 2004**

### 5. CAPITAL ASSETS

A summary of capital assets at March 31, 2005 and 2004, follows:

	Balance 03/31/04	Increases	Decreases	Transfers	Balance 3/31/05	Depreciable Lives
Capital assets not being depreciated:						
Land	\$ 65,554	\$ -	\$ -	\$ -	\$ 65,554	
Construction in progress	-	312,360	-	-	312,360	
Total capital assets not being depreciated	65,554	312,360	-	-	377,914	
Other capital assets:						
Land improvements	32,023	-	-	-	32,023	15-20 years
Buildings and improvements	2,909,158	-	-	-	2,909,158	8-40 years
Equipment	1,176,761	172,827	-	-	1,349,588	5-20 years
Total other capital assets at historical cost	4,117,942	172,827	-	-	4,290,769	
Less accumulated depreciation for:						
Land improvements	(10,728)	(1,808)	-	-	(12,536)	
Buildings and improvements	(2,125,473)	(62,352)	-	-	(2,187,825)	
Equipment	(725,522)	(122,837)	-	-	(848,359)	
Total accumulated depreciation	(2,861,723)	(186,997)	-	-	(3,048,720)	
Total capital assets, net	\$ 1,321,773	\$ 298,190	\$ -	\$ -	\$ 1,619,963	

	Balance 03/31/03	Increases	Decreases	Transfers	Balance 3/31/04	Depreciable Lives
Capital assets not being depreciated:						
Land	\$ 65,554	\$ -	\$ -	\$ -	\$ 65,554	
Total capital assets not being depreciated	65,554	-	-	-	65,554	
Other capital assets:						
Land improvements	32,023	-	-	-	32,023	15-20 years
Buildings and improvements	2,909,158	-	-	-	2,909,158	8-40 years
Equipment	1,086,284	90,477	-	-	1,176,761	5-20 years
Total other capital assets at historical cost	4,027,465	90,477	-	-	4,117,942	
Less accumulated depreciation for:						
Land improvements	(8,920)	(1,808)	-	-	(10,728)	
Buildings and improvements	(2,063,121)	(62,352)	-	-	(2,125,473)	
Equipment	(636,930)	(88,592)	-	-	(725,522)	
Total accumulated depreciation	(2,708,971)	(152,752)	-	-	(2,861,723)	
Total capital assets, net	\$ 1,384,048	\$ (62,275)	\$ -	\$ -	\$ 1,321,773	

# **EAST UNION HOSPITAL SERVICE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
MARCH 31, 2005 AND 2004**

### **6. LONG-TERM DEBT**

A summary of long-term debt at March 31, 2005 follows:

	Balance 03/01/04	Increases	Decreases	Balance 3/31/05	Amounts Due Within One Year
Note payable to Union General Hospital in annual installments of \$65,000 principal and interest; final payment due March 2009	\$ -	\$ 312,360	\$ (64,602)	\$ 247,758	\$ 60,150

A summary of long-term debt at March 31, 2005 follows:

Year Ending March 31,	Long-Term Debt	
	Principal	Interest
2006	\$ 60,150	\$ 4,850
2007	61,328	3,672
2008	62,528	2,472
2009	63,752	1,248
	<u>\$ 247,758</u>	<u>\$ 12,242</u>

### **7. COMMITMENTS**

On March 7, 2005, the District agreed to designate a minimum of \$65,000 per year from tax revenues to be paid annually to Union General Hospital, Inc. for five years. The hospital is to use these funds in making payments on a bank loan for the purchase of a modular building. The purchase price of the building is \$312,360 and is included in construction in progress at March 31, 2005.

**PARRISH • MOODY & FIKES, p.c.**  
CERTIFIED PUBLIC ACCOUNTANTS

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OFFICES IN:  
WACO & AUSTIN,  
TEXAS

**REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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To the Board of Commissioners  
East Union Hospital Service District  
Farmerville, Louisiana

We have audited the financial statements of East Union Hospital Service District, as of and for the years ended March 31, 2005 and 2004, and have issued our report thereon dated June 6, 2005. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audits, we considered East Union Hospital Service District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether East Union Hospital Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Pamela, Mevelyn F. H., p.c.*

Waco, Texas  
June 6, 2005

**LOUISIANA COMPLIANCE QUESTIONNAIRE**  
**(For Audit Engagements of Government Entities)**

MARCH 07, 2005 (Date Transmitted)

Parrish Moody & Fikes, p.c.  
7901 Woodway Drive, Suite 100  
Waco, TX 76712  
\_\_\_\_\_  
(Auditors)

In connection with your audit of our financial statements as of  
March 31, 2005 and for  
March 31, 2004 (period of  
audit) for the purpose of expressing an opinion as to the fair presentation of our financial  
statements in accordance with accounting principles generally accepted in the United States of  
America, to assess our system of internal control as a part of your audit, and to review our  
compliance with applicable laws and regulations, we confirm, to the best of our knowledge and  
belief, the following representations. These representations are based on the information  
available to us as of April 30, 2005 (date completed/date of the  
representations).

**PART I. AGENCY PROFILE**

1. Name and address of the organization.  
East Union Hospital Service District  
P. O. Box 398  
Farmerville, LA 71241
2. List the population of the municipality or parish based upon the last official United States  
Census or most recent official census (municipalities and police juries only). Include the source  
of the information.  

22,966

Source: Union Parish Library
3. List names, addresses, and telephone numbers of entity officials. [Include elected/appointed  
members of the governing board, chief executive and fiscal officer, and legal counsel.  
  
See Attached:
4. Period of time covered by this questionnaire:  
  
April 01, 2003 thru March 31, 2005

5. The entity has been organized under the following provisions of the Louisiana Revised Statute (s) (LSA-RS) and, if applicable, local resolutions/ordinances.

Created by an ordinance of the Union Parish Police Jury on 06/08/71.

6. Briefly describe the public services provided:

Provides facilities and support.

7. Expiration date of current elected/appointed officials' terms.

See Attached:

#### LEGAL COMPLIANCE

#### **PART II. PUBLIC BID LAW**

8. The provisions of the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office have been complied with.

A) All public works purchases exceeding \$100,000 have been publicly bid.

B) All material and supply purchases exceeding \$20,000 have been publicly bid.

Yes ☒ No ☐

#### **PART III. CODE OF ETHICS LAW FOR PUBLIC OFFICIALS AND PUBLIC EMPLOYEES**

9. It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LSA-RS 42:1101-1124.

Yes ☒ No ☐

10. It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119.

Yes ☒ No ☐

#### **PART IV. LAWS AFFECTING BUDGETING**

11. We have complied with the budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-15) or the budget requirements of LSA-RS 39:33.

##### A. Local Budget Act

1. We have adopted a budget for the General Fund and all special revenue funds (LSA-RS 39:1305).

2. The chief executive officer, or equivalent, has prepared a proposed budget that included a budget message, a proposed budget for the General Fund and each special revenue fund, and a budget adoption instrument that specified the chief executive's authority to make budgetary



- amendments without approval of the governing authority. Furthermore, the proposed expenditures did not exceed estimated funds to be available during the period (LSA-RS 39:1305).
3. The proposed budget was submitted to the governing authority and made available for public inspection at least 15 days prior to the beginning of the budget year (LSA-RS 39:1306).
4. To the extent that proposed expenditures were greater than \$500,000, we have made the budget available for public inspection and have advertised its availability in our official journal. The advertisement included the date, time, and place of the public hearing on the budget. Notice has also been published certifying that all actions required by the Local Government Budget Act have been completed (LSA-RS 39:1307).
5. The proposed budget was made available for public inspection at the location required by LSA-RS 39:1308.
6. All action necessary to adopt and finalize the budget was completed prior to the date required by state law. The adopted budget contained the same information as that required for the proposed budget [LSA-RS 39:1306.
7. After adoption, a certified copy of the budget has been retained by the chief executive officer or equivalent officer (LSA-RS 39:1309).
8. The chief executive officer or equivalent notified in writing the governing authority during the year when actual receipts plus projected revenue collections for the year failed to meet budgeted revenues by five percent or more, or when actual expenditures plus projected expenditures to year end exceeded budgeted expenditures by five percent or more (LSA-RS 39:1311). (Note, state law exempts from the amendment requirements special revenue funds with anticipated expenditures of \$250,000 or less and exempts special revenue funds whose expenditures drive revenue recognition-primarily federal funds-from the requirement to amend revenues.)
9. The governing authority has amended its budget when notified, as provided by LSA-RS 39:1311.

Yes ☒ No ☐ ]

**B. State Budget Requirements**

1. The state agency has complied with the budgetary requirements of LSA-RS 39:33.

Yes ☒ No ☐ ]

**C. Licensing Boards**

1. The licensing board has complied with the budgetary requirements of R. S. 39:1331-1342.

Yes ☐ No ☐ ] N/A

**PART V. ACCOUNTING, AUDITING, AND FINANCIAL REPORTING LAWS**

12. We have maintained our accounting records in such a manner as to provide evidence of legal compliance and the preparation of annual financial statements to comply with LSA-RS 24:514, 24:515, and/or 33:463.

Yes ☒ No ☐ ]

13. All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.

Yes ☒ No ☐ ]

14. We have filed our annual financial statements in accordance with LSA-RS 24:514, and 33:463 where applicable.

Yes ☒ No ☐ ]

15. We have had our financial statements audited in a timely manner in accordance with LSA-RS 24:513.

Yes ☒ No ☐

**PART VI. ASSET MANAGEMENT LAWS**

16. We have maintained records of our fixed assets and movable property records, as required by LSA-RS 24:515 and/or 39:321-332, as applicable.

Yes ☒ No ☐

**PART VII. FISCAL AGENCY AND CASH MANAGEMENT LAWS**

17. We have complied with the fiscal agency and cash management requirements of LSA-RS 39:1211-45 and 49:301-327, as applicable.

Yes ☒ No ☐

**PART VIII. DEBT RESTRICTION LAWS**

18. It is true we have not incurred any long-term indebtedness without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.65.

Yes ☐ No ☐ N/A

19. We have complied with the debt limitation requirements of state law (LSA-RS 39:562).

Yes ☐ No ☐ N/A

20. We have complied with the reporting requirements relating to the Fiscal Review Committee of the State Bond Commission (LSA-RS 39:1351).

Yes ☐ No ☐ N/A

**PART IX. REVENUE AND EXPENDITURE RESTRICTION LAWS**

21. We have restricted the collections and expenditures of revenues to those amounts authorized by Louisiana statutes, tax propositions, and budget ordinances.

Yes ☒ No ☐

22. It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729.

Yes ☒ No ☐

23. It is true that no property or things of value have been loaned, pledged, or granted to anyone in violation of Article VII, Section 14 of the 1974 Louisiana Constitution.

Yes ☒ No ☐

#### **PART X. QUESTIONS FOR SPECIFIC GOVERNMENTAL UNITS**

##### **Police Juries**

24. We have adopted a system of road administration that provides as follows:

- A. Approval of the governing authority of all expenditures, LSA-RS 48:755(A).
- B. Development of a capital improvement program on a selective basis, LSA-RS 48:755.
- C. Centralized purchasing of equipment and supplies, LSA-RS 48:755.
- D. Centralized accounting, LSA-RS 48:755.
- E. A construction program based on engineering plans and inspections, LSA-RS 48:755.
- F. Selective maintenance program, LSA-RS 48:755.
- G. Annual certification of compliance to the legislative auditor, LSA-RS 48:758.

Yes ☐ No ☐ N/A

##### **School Boards**

25. We have complied with the general statutory, constitutional, and regulatory provisions of the Louisiana Department of Education, LSA-RS 17:51-401.

Yes ☐ No ☐ N/A

26. We have complied with the regulatory circulars issued by the Louisiana Department of Education that govern the Minimum Foundation Program.

Yes ☐ No ☐ N/A

27. We have, to the best of our knowledge, accurately compiled the performance measurement data contained in the following schedules and recognize that your agreed upon procedures will be applied to such schedules and performance measurement data:

Parish school boards are required to report as part of their annual financial statements measures of performance. These performance indicators are found in the supplemental schedules:

- Schedule 1, General Fund Instructional and Support Expenditures and Certain Local Revenues Sources
- Schedule 2, Education Levels of Public School Staff
- Schedule 3, Number and Type of Public Schools
- Schedule 4, Experience of Public Teachers and Full-time Classroom Teachers
- Schedule 5, Public School Staff Data
- Schedule 6, Class Size Characteristics
- Schedule 7, Louisiana Educational Assessment Program
- Schedule 8, The Graduate Exit Exam
- Schedule 9, The IOWA Tests

Yes ☐ No ☐ N/A

##### **Tax Collectors**

28. We have complied with the general statutory requirements of LSA-RS 47, Chapter 4.

Yes ☐ No ☐ N/A

#### Sheriffs

29. We have complied with the state supplemental pay regulations of LSA-RS 33:2218.8.

Yes ☐ No ☐ N/A

30. We have complied with LSA-RS 33:1432 relating to the feeding and keeping of prisoners.

Yes ☐ No ☐ N/A

#### District Attorneys

31. We have complied with the regulations of the Louisiana Department of Social Services that relate to the Title IV-D Program.

Yes ☐ No ☐ N/A

#### Assessors

32. We have complied with the regulatory requirements found in Title 47 of the Louisiana Revised Statutes.

Yes ☐ No ☐ N/A

33. We have complied with the regulations of the Louisiana Tax Commission relating to the reassessment of property.

Yes ☐ No ☐ N/A

#### Clerks of Court

34. We have complied with LSA-RS 13:751-960.

Yes ☐ No ☐ N/A

#### Libraries

35. We have complied with the regulations of the Louisiana State Library.

Yes ☐ No ☐ N/A

#### Municipalities

36. Minutes are taken at all meetings of the governing authority. LSA-RS 42:7.1 (Act 665 of 1976).

Yes ☐ No ☐ N/A

37. Minutes, ordinances, resolutions, budgets, and other official proceedings of the municipalities are published in the official journal. LSA-RS 43:143-144 and A.G. 86-528.

Yes ☐ No ☐ N/A

38. All official action taken by the municipality is conducted at public meetings. LSA-RS 42:4.1-13.

Yes ☐ No ☐ N/A

#### Airports

39. We have submitted our applications for funding airport construction or development to the Department of Transportation and Development as required by LSA-RS 2:802.

Yes ☐ No ☐ N/A

40. We have adopted a system of administration that provides for approval by the department for

any expenditures of funds appropriated from the Transportation Trust Fund, and no funds have been expended without department approval (LSA-RS 2:810).

41. All project funds have been expended on the project and for no other purpose (LSA-RS 2:810). Yes ☐ No ☐ N/A

42. We have certified to the legislative auditor, on an annual basis, that we have expended project funds in accordance with the standards established by law (LSA-RS 2:811). Yes ☐ No ☐ N/A

Yes ☐ No ☐ N/A

#### Ports

43. We have submitted our applications for funding port construction or development to the Department of Transportation and Development as required by LSA-RS 34:3432.

44. We have adopted a system of administration that provides for approval by the department for any expenditures of funds made out of state and local matching funds, and no funds have been expended without department approval (LSA-RS 34:3460). Yes ☐ No ☐ N/A

45. All project funds have been expended on the project and for no other purpose (LSA-RS 34:3460). Yes ☐ No ☐ N/A

46. We have established a system of administration that provides for the development of a capital improvement program on a selective basis, centralized purchasing of equipment and supplies, centralized accounting, and the selective maintenance and construction of port facilities based upon engineering plans and inspections (LSA-RS 34:3460). Yes ☐ No ☐ N/A

47. We have certified to the legislative auditor, on an annual basis, that we have expended project funds in accordance with the standards established by law (LSA-RS 34:3461). Yes ☐ No ☐ N/A

Yes ☐ No ☐ N/A

#### Sewerage Districts

48. We have complied with the statutory requirements of LSA-RS 33:3881-4160.

Yes ☐ No ☐ N/A

#### Waterworks Districts

49. We have complied with the statutory requirements of LSA-RS 33:3811-3837.

Yes ☐ No ☐ N/A

#### Utility Districts

50. We have complied with the statutory requirements of LSA-RS 33:4161-4548.

Yes ☐ No ☐ N/A

#### Drainage and Irrigation Districts

51. We have complied with the statutory requirements of LSA-RS 38:1601-1707 (Drainage Districts); LSA-RS 38:1751-1921 (Gravity Drainage Districts); LSA-RS 38:1991-2048 (Levee and Drainage Districts); or LSA-RS 38:2101-2123 (Irrigation Districts), as appropriate.

Yes ☐ No ☐ N/A

Fire Protection Districts

52. We have complied with the statutory requirements of LSA-RS 40:1491-1509.

Yes ☐ No ☐ N/A

Other Special Districts

53. We have complied with those specific statutory requirements of state law applicable to our district.

Yes ☒ No ☐

The previous responses have been made to the best of our belief and knowledge.

Vickie Antley Secretary 3-7-05 Date  
\_\_\_\_\_  
\_\_\_\_\_  
Deice Bailey President 3-7-05 Date

## **EAST UNION HOSPITAL SERVICE DISTRICT**

### **BOARD MEMBERS**

<b>NAME</b>	<b>EXP. DATE</b>
JESSE B. ANDREWS 492 BIRD ROAD MARION, LA 71260 292-5173	09/09
VICKIE ANTLEY 238 VIC ALLEN ROAD DOWNSVILLE, LA 71234 982-5632	09/05
ALICE BAILEY 220 CROSSROADS LOOP FARMERVILLE, LA 71241 726-4138	09/09
CALVIN B. JONES 180 BAY DRIVE FARMERVILLE, LA 71241 368-2262	09/05
BRUCE M. MATTE, SR. P. O. BOX 17 MARION, LA 71260	09/06
MARY JOHNSON WASHINGTON 205 FRANCIS STREET FARMERVILLE, LA 71241 368-0732	09/07
JOEL TAYLOR 610 EAST BOUNDARY STREET FARMERVILLE, LA 71241 368-9982	09/07

### **LEGAL COUNSEL**

BOB LEVY  
DISTRICT ATTORNEY  
100 E. BAYOU  
FARMERVILLE, LA 71241  
368-2201

ANDY SHEALY  
ASSISTANT DISTRICT ATTORNEY